

## SMALL BUSINESS DEVELOPMENT PROCESSES IN UZBEKISTAN

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**Resume:** *The article examines the processes of development of small business and private entrepreneurship in Uzbekistan, as well as examples of world development experience in this area. On the basis of statistical data, conclusions are presented about the peculiarities of the development of small business and private entrepreneurship and measures to solve them.*

**Key words:** *gross domestic product (GDP); states; modernization of the economy; small business and private entrepreneurship development.*

The study of the world practice of business development shows that this type of activity functions most effectively where the development of small business entities is provided with proper support from the state. It was also found that assistance to them is an independent part of the state economic policy of developed countries. The development of entrepreneurship in each individual country has a number of features, largely due to the specifics of state support for small entities in these countries. At the same time, the task of the state is not simply to transfer financial, technical and other resources to small enterprises, and not to support them at any cost, but to create legal and economic conditions for their survival, the ability to grow and develop themselves during the period of market transformation of the economy. The regulatory documents adopted in the country reflect measures aimed at creating more favorable conditions for small business and private entrepreneurship, ensuring their smooth functioning and further deepening and liberalizing the ongoing reforms [1]. The Decree of the President of the Republic of Uzbekistan dated October 5, 2016 "On additional measures to ensure the rapid development of entrepreneurial activity, comprehensive protection of private property and improving the quality of the business environment" was adopted. It is the basis for creating favorable conditions for business and private entrepreneurship and providing comprehensive support, increasing the share of this sector in GDP and solving the problem of employment [2].

In all countries of the world - in Europe, Asia and the Latin American continent - there is a powerful wave of state support for the development of small business. In the OECD countries, 99% of all firms are small and medium-sized enterprises, which generate jobs (40% to 80% of employment) and generate 30% -65% of GDP. For comparison: in 2020, small businesses in Uzbekistan employed 73.8% of the working population and produced 53.9% of GDP (Table 1).

**Table 1**

**Comparative characteristics of the scale of development of small and medium-sized businesses in the leading countries of the world and in Uzbekistan**

Countries	Number of small and medium enterprises (thousand)	Number of small and medium prepr. per 1000 inhabitants	Number of employed, million people	Share of small and medium-sized firms in the total number of employed, %	Share of small and medium-sized firms in GDP, %
Great Britain	2630,0	46	13,6	49,0	50-53
Germany	2290,0	37	18,5	46,0	50-54
Italy	3920,0	68	16,8	73,0	57-60
France	1980,0	35	15,2	54,0	55-62
USA	19300,0	74,2	70,2	54,0	50-52
Japan	6450,0	49,6	39,5	78,0	52-55
Uzbekistan 2020 *	411,2	15,6	14,0	73,8	53,9

\* small businesses and private entrepreneurship

Comparing the data shown in Table 1, we believe that in Uzbekistan, too, a new leap in the dynamics of the number of small businesses, in increasing their macroeconomic weight by all indicators, is very real.

The policy of supporting the development of entrepreneurship in Uzbekistan is carried out at two levels - national and regional. The main goal of this policy is to create a favorable environment for its functioning, providing protection and support of entrepreneurship, as an essential factor in economic recovery and progress. The legislation of Uzbekistan has established a wide system of guarantees and benefits for small businesses and private entrepreneurship.

As a result of the reforms carried out to further liberalize and modernize the economy in the republic, the number of registered small businesses and private entrepreneurship as of January 1, 2021 amounted to 411.2 thousand units, which compared to January 1, 2018 increased by 148.3 thousand units and occupying a predominant share in all sectors of the economy: in 2020 produced, 27.5% - industrial products, in their share 20.5% - exports, 51.8% - imports. The number of people employed in this sector was 73.8%.

The sectoral structure of small enterprises in the republic is characterized by a high proportion of them in trade and public catering (34.1%). This circumstance is due to the fact that the liberalization of foreign trade and the removal of bans on private trade within Uzbekistan in the face of increased demand within the country created a need to provide the population and enterprises with goods through their import. At the same time, small forms of entrepreneurship in the field of trade and public catering ensure the

survival and employment of significant segments of the population. Industrial enterprises are also characterized by a relatively high specific weight (20.9%).

Analysis of the materials of the survey of business structures allowed us to conclude that 59% of respondents described the conditions for doing business in Uzbekistan as favorable, 16% - unfavorable, and 25% found it difficult to answer. The main conditions that hinder the development of the business environment are excessively high interest rates on loans (80%) and high taxes (72%). The spheres that negatively affect business development included banking (62% of respondents), insufficient activity of local authorities (30%), antitrust regulation (23%). 45% of respondents experience difficulties in obtaining financial and material resources, purchasing the necessary raw materials. This indicates that the current potential of entrepreneurship does not sufficiently meet the requirements of a market economy and can become a serious constraint in the development of entrepreneurship.

The current situation in the development of entrepreneurship in Uzbekistan gives grounds to conclude that this process is proceeding with peculiarities. The reasons for this situation include:

- inability to perform a managerial role in the processes of administrative and legal regulation of the development of entrepreneurial activity by the middle and lower levels of government;

- lack of sufficient savings among the population;
- distrust of the population to securities - shares, bonds, etc. ;
- imperfection of the credit system;
- lack of psychological and social preparedness of a wide layer of people capable of ensuring their effective market reorientation.

Considering these features, we highlight the main directions for solving problems:

- creation of a developed system of legal and economic conditions in the regulation of small business and private entrepreneurship and the real provision of their observance, especially by the middle and lower levels of government;

- decisive steps in the field of demonopolization of the economy;
- the establishment of closer cooperation between small business and corporate structures;

- a dramatic increase in the share of small production enterprises;
- a sharp increase in the number of small entities in the innovation sphere;
- further development of specialized market infrastructures for small entities, especially specialized financial and credit institutions;

- insurance of private and other investors who invest in small knowledge-intensive firms;

- placements to various funds and insurance companies to finance innovative firms that require venture capital injections;

- targeted financial support, free access to microcrediting and to competitions for investment projects held as part of supporting private entrepreneurship and small business in order to introduce modern technologies, science and technology.

Proceeding from this, as well as the practice of developing small business and private entrepreneurship in Uzbekistan, the majority of unresolved problems in this area require the participation of the state, and the future of the economy depends on the degree of state involvement in the processes of market transformations. We refer to the state and infrastructure support of entrepreneurship as one of the key areas of stimulating the further development of this type of activity. Here the most important task of the state is to create a mechanism for the implementation of the adopted legislative and regulatory acts. Only if such mechanisms are in place will entrepreneurs be sure that their capital will bring income, and hence the volumes of production and income will increase.

In general, it can be assumed that in the republic there is a predominantly intensive type of reproduction in the field of small enterprises, the main characteristics of which is an increase in labor productivity, provided by an increase in its gross income. The study found that the transition of the republic's economy to a more mature, comprehensively intensive type of expanded reproduction directly depends on the development of small business entities.

Thus, for today's Uzbekistan, the formation of small business and private entrepreneurship is becoming extremely important in solving social problems, especially unemployment, and is considered one of the most promising areas of liberalization and modernization of the economy in the republic.

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